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NEA FOR IPA AND SEMEP; NSC FOR KUMAR; USTR FOR FRANCESKI,  
KLEIN, AND VENKATARAMAN; GENEVA FOR USTR/SHARK

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TAGS: [PREL](#) [ETRD](#) [USTR](#) [WTRO](#) [ECON](#) [KWBG](#) [IS](#)  
SUBJECT: PALESTINIAN AUTHORITY REQUEST FOR WTO OBSERVER  
STATUS: USTR MEETINGS WITH PALESTINIAN OFFICIALS AND  
PRIVATE SECTOR

REF: A. STATE 14912  
[1](#)B. 09 JERUSALEM 1993  
[1](#)C. 09 GENEVA 961

Classified By: CG Daniel Rubinstein, reasons 1.4 (b) and (d)

Summary

[1](#)1. (SBU) Representatives of the Office of the United States Trade Representative (USTR) met with Palestinian Authority (PA) and Palestinian private sector representatives to discuss the PA's pending request for World Trade Organization (WTO) observer status. PA Prime Minister Fayyad and Minister of National Economy Abu-Libdeh described PA plans to use observer status as a framework for needed reforms, development of legislation, and institution building. They emphasized that the PA would not use observer status as a platform to politicize the WTO General Council. USTR representatives also met with the PA Ministry of National Economy's WTO Team to continue the joint review of the existing trade regime begun in January (ref A), and with the Palestinian Private Sector Coordination Council to stress the importance of private sector involvement in the WTO process. PA officials expressed appreciation for USG support of their observership application in the General Council and its subsidiary bodies, and asked for USG assistance and advice for obtaining this objective. USTR, USAID, Embassy Tel Aviv, and Post discussed potential areas for assistance, and the needed follow-up in Geneva and Washington. End summary.

[1](#)2. (U) Cecilia Klein, Senior Director for WTO Accessions and Import Licensing Issues, and Arun Venkataraman, Associate General Counsel, from the Office of the U.S. Trade Representative visited Jerusalem and Ramallah February 22-24.

Fayyad: WTO as a Tool for Statebuilding, Reform  
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[1](#)3. (C) Prime Minister Salam Fayyad told USTR representatives that the PA had made the decision to use the WTO agreements as a framework for economic reform and institution building. He stressed that observership would lend critical support to his statebuilding efforts, and help ensure implementation of reforms that conformed to international standards. Fayyad acknowledged that there was a political dimension to the PA's

application, explaining that the political benefit of observer status would be a natural consequence of membership in the WTO community. However, the political benefit was not itself the reason for the PA's efforts, Fayyad said.

14. (C) Fayyad stressed that the PA would approach the WTO in a "serious way," and that it did not "serve our interests to say we are ready for accession when we are not." He underscored the PA's need for both technical and diplomatic assistance in supporting these efforts, adding "we could wait on observer status, but I honestly think that we can benefit from association with the WTO."

15. (C) Fayyad acknowledged that Israeli acquiescence to the PA application would be necessary, given the consensus-based nature of the WTO. He called the road to WTO observership "tricky," adding that the GOI might try to link the PA's request to other political issues. But, he said, "I'm interested in getting to where we are going, not winning a debate." The PA was prepared to discuss this issue frankly with the GOI, he said.

16. (C) Turning to trade issues, Fayyad said that Palestinians should take advantage of being next-door to an economic powerhouse like Israel. "You will find," he told USTR, "that on the basic WTO principles such as open market access, an enabling investment environment, and low tariffs, you are pushing on an open door -- these are all things I want." He acknowledged that protectionist practices existed, attributing them largely to aspects of the PA's customs envelope with Israel (Israeli agricultural quotas, certain high tariffs, and high taxes on luxury goods). The PA is

nonetheless trying to liberalize, he said.

17. (C) Fayyad said that his ideal would be a non-discriminatory system with low tariffs across the board, one that would be granted to trading partners "regardless of reciprocity." In reference to the Paris Protocol, Fayyad stated that he was "not keen on changing what exists." While the Protocol is a much better a system than most people give it credit for, he said, it is not being implemented as it should be, and parts of it could be improved. Overall, Fayyad claimed that the Protocol had served the PA well and he could "live with it."

Abu-Libdeh: This is not a political issue  
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18. (C) Minister of National Economy Hasan Abu-Libdeh pointed to the inclusion of WTO observership in PM Fayyad's two-year plan for statehood, noting that the PA intended to use observer status as an impetus for timely implementation of reforms based on WTO provisions and increased market access. He emphasized that the application is not an "academic exercise," but rather is necessary to bolster the PA's ability to use international standards as the basis for institution building. We are "toddlers, maybe even infants" in trade policy, he said, and "we need your help and the help of other members."

19. (C) Abu-Libdeh said that the PA is building the infrastructure of a state, including a trade regime and a functioning economy that does not depend on donor assistance. "Everyone agrees that some day there will be a Palestinian state," he said. "The difference between Israelis and Palestinians is the definition of 'some day.'" He asked USTR to inform the GOI of the PA's intention to request a working-level meeting with the GOI to discuss their bid for WTO observer status. Note: Ministry officials subsequently confirmed to EconChief February 25 that they were moving forward to request working-level meetings with the GOI on WTO "and other issues." End note.

Review of the PA's Trade Regime  
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¶10. (SBU) USTR representatives also met with the Ministry of National Economy's (MoNE) WTO team for a full day to review the PA's existing trade regime, clarify issues discussed in the January PA-USTR telcon, and identify current trade policy authorities and gaps in authority. The team included Hatem Yousef, the PM's Advisor on Custom Reform and Taxes; Bashar Abaza, PA Customs and Excise; Fuad Shubaki, PA Customs; Tareq Abu-Liban, Ministry of Agriculture; Hazem Shunnar and Mohammed Sayyed, Palestinian Standards Institute; Saeb Bamia, Private Sector Coordination Council; Maha Sabya, Corporate Registration; Ramadan Bdieh, WTO Center; Saad al-Khatib, advisor to the Minister of National Economy; and Nahid al-Qudsi, IPR enforcement, MoNE.

¶11. (C) The MoNE team laid out its current efforts to use WTO provisions as the framework for institution-building and a thorough revision of trade and commercial legislation, and briefed on the "WTO Roadmap for Palestine," a copy of which is available on the unclassified website [www.intelink.gov/communities/state/palecon](http://www.intelink.gov/communities/state/palecon). USTR representatives and the MoNE team reviewed in detail the questions that USTR had prepared (ref A) on importation, exportation, customs, trade agreements, tariffs, taxation, policy mechanisms, transparency, lawmaking, trading rights, price controls, technical barriers to trade and sanitary and phytosanitary, agriculture, export duties, services, and intellectual property. A more detailed report on this review will be provided by USTR septel.

¶12. (C) During the review, USTR representatives noted that the PA appears to have the authority under the Paris Protocol over a significant number of areas covered by WTO provisions, such as internal distribution of goods, trade in services, import licensing, export regulation, intellectual property rights, and agriculture support, even if this authority is

not currently fully exercised. At the same time, they noted, there are also other areas, principally in customs processing of imports, tariffs, and other border formalities, where the PA does not have full autonomous control. There are also significant gaps in IPR protection enforcement and commercial legislation. Authority in the area of standards and sanitary measures is in the hands of the PA, but is exercised mainly to enforce Israeli requirements on imports, as provided for in the Paris Protocol.

¶13. (C) Klein stressed that WTO observership does not mandate that an applicant for observer status be WTO-compliant, but that it must have intent to initiate accession at some point. USTR offered to ask U.S. experts to review draft PA commercial legislation and provide comments. She also noted that USTR would work with other USG agencies to ensure that U.S. technical assistance supports PA reform efforts based on WTO and to refine current programs, as necessary.

#### The Role of the Private Sector -----

¶14. (C) In a separate meeting with the heads of PA private sector associations, Klein stressed the importance of involving the private sector early in trade policy decision-making and PA participation in WTO, since the resulting reforms and tariff reductions would impact them first and foremost. At their request, she outlined USG legal requirements for trade policy coordination with the private sector, Congress, and among agencies participating in the Trade Policy Staff Committee (TPSC). She pointed out the importance of communication with the PA concerning private sector interests, in order to ensure effective use of trade policy.

¶15. (C) Private sector representatives asked for USG consideration of how technical assistance could be utilized to build capacity among their organizations to use the WTO to benefit their members. The MoNE reported that it had established several coordination mechanisms when WTO observer status was first approached in 2001, including a "National

Task Force for Economic Development," composed of public and private sector representatives and a WTO resource center that acts as a technical advisory team. While coordination activities have stalled since then, Saeb Bamian, chair of the Private Sector Coordination Council (composed of representatives from chambers and industry associations) noted that the Council could provide mechanisms for ongoing private sector involvement as the PA developed its trade regime.

#### Next Steps for the USG and PA

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¶16. (C) Based on the results of the three days of discussions, the USTR team stressed the importance of re-focusing the PA's approach to WTO observership. They suggested emphasizing that while the PA is not yet a state nor a separate customs territory (with full autonomy over its trade regime and the issues covered by WTO provisions), it is recognized as a state in the making, it has significant trade regime functionality, and it clearly intends to join the WTO at some point. The PA was encouraged to consult with other delegations in Geneva (not just missions in Ramallah and Jerusalem) to build consensus for the application, dealing frankly with current limitations in their trade regime and emphasizing their efforts to use observer status to help build the economy and expand the trade regime. She suggested that the PA prepare a presentation for the consultations that focused on economic reform and statebuilding and defused concerns about political posturing. Klein also urged the PA to focus on observer status, rather than on accession.

¶17. (C) Klein emphasized that, as a WTO member, Israel's acquiescence to the request would be necessary for the PA to become a WTO observer. Klein noted the GOI's concerns about the PA's efforts to prohibit sale of goods produced in Israeli settlements and the possible use of PA WTO observer status as a political platform that would disrupt legitimate

WTO work. She urged the PA to follow up on its proposal to meet with the GOI at a working level. She said that USTR intended to help as much as possible, and would review the information and the materials provided by the PA in these discussions, work with other USG agencies to refine suggested technical assistance, and seek TPSC confirmation of the USG position and a plan to support it in Geneva.

¶18. (U) This cable has been cleared by USTR's Cecilia Klein.

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